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SUBJECT: BOEING IDENTIFIES SITE FOR PLANNED MAINTENANCE FACILITY IN
NAGPUR

Summary

¶1. (SBU) A senior Boeing official told the Consul General on September 15 that his company has now identified a site for its planned maintenance, repair and overhaul (MRO) facility in Nagpur. Seattle-based Dinesh Keskar, who briefed us on the margins of the CG's visit to Nagpur, had met with officials of the Maharashtra Airport Development Company (MADC) earlier that day to agree on the site for the MRO unit, which will initially service commercial Boeing aircraft from Indian carriers but ultimately should become a service center for commercial aircraft from throughout south and southeast Asia. Boeing will invest up to \$100 million in the facility and create roughly 1,000 jobs, with only a handful of managers expected to come from the U.S. to run the operation. Keskar said that political and administrative support, from Civil Aviation Minister Praful Patel downwards, was strong and accommodating to Boeing's needs. Boeing specifically sought a site outside the special economic zone (SEZ) and enormous logistical hub that MADC hopes to build adjacent to Nagpur's small regional airport, Keskar told the CG, since it did not want to be drawn into the planning uncertainties and complex construction that will affect the area in the coming years. The jurisdiction of the SEZ will be extended to Boeing's desired site, however, so that the company can benefit from the SEZ's favorable tax and labor laws. Boeing is gearing up for the deliveries of new 777 commercial aircraft to Indian carriers as part of its orders to sell over 100 commercial planes in the country by 2012, he told us. End summary.

Boeing Identifies Site for MRO at Nagpur Airport

¶2. (SBU) Dinesh Keskar, the Seattle-based senior VP for commercial aircraft sales at Boeing, told the Consul General on September 15 that his company has now identified a site for its planned maintenance, repair and overhaul (MRO) facility in Nagpur. Keskar briefed the Consul General in Nagpur after his discussions with the Maharashtra Airport Development Company (MADC), the state-owned company responsible for implementing Maharashtra's ambitious vision to create an international transport and cargo hub in the city. The Boeing site is located just north of the existing terminal building of the small

regional airport, and was agreed upon during Keskar's visit earlier that day in Nagpur. Keskar led a delegation of Boeing reps from Seattle and New Delhi to Nagpur to discuss potential sites for the facility with the MADC.

Boeing Specifically Avoids Planned Logistics Hub and SEZ

¶3. (SBU) Keskar said that the MADC had hoped to settle the Boeing facility within the planned 8,000 acre special economic zone (SEZ) located to the south of the airport. Boeing declined, Keskar said, because it did not want its facility to be located in what looks to be a gigantic, multi-year construction site. During the construction phase of the SEZ, planning uncertainties, widespread building activity and unreliability of water and power supplies could disturb and hamper Boeing's activities, Keskar said. Hence Boeing insisted on a site a good distance away from the SEZ and separated from it by the existing runway and a planned second runway. The MADC has also agreed to extend the jurisdiction of the SEZ to include the MRO site so Boeing can benefit from the SEZ's privileged tax status and its flexible labor laws. Keskar added that Boeing was confident that the city's power grid and water utility would be sufficiently reliable to supply the MRO. In any case, he said, "we have enough political connections to ensure uninterrupted supply." (Note: In separate discussions on September 14 and 15 in Nagpur, numerous interlocutors told the CG that Nagpur had a reasonably reliable power supply and did not face the brownouts experienced elsewhere in power-starved Maharashtra. End note.)

Civ Air Minister "Tells" Boeing to Come to Nagpur

¶4. (SBU) Keskar confided that Boeing "was told to come" to Nagpur by Civil Aviation Minister Praful Patel, who hails from

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the city. (Boeing had agreed to build and operate an MRO in India as part of the 2005 deal to sell 68 aircraft to Air India.) However, Boeing would not have agreed if the site had not been commercially viable, he stressed. In general, the entire GOI political and administrative apparatus, from Minister Patel downwards, was highly supportive and accommodating towards Boeing's wishes and expectations, Keskar said.

¶5. (SBU) Groundbreaking for the MRO is planned for early 2007, and the company was on track to fulfill its commitment to finish the project within 36 months, Keskar added. He could not say what the facility would cost, but hinted that the \$100 million figure routinely cited in the Indian media might be the upper limit of what Boeing will initially invest in the unit. Roughly 1,000 jobs will be created, although "maybe only five" managers from the U.S. will come to run the operation, he said. Keskar, who is originally from Nagpur as well, said he had already begun discussions with universities in Nagpur and Mumbai to train the aviation engineers that Boeing will need at the facility. Initially, only planes from Indian carriers will be serviced, but ultimately Boeing plans to make the MRO a service center for planes from throughout south and southeast Asia, he said.

Boeing to Deliver 108 Planes by 2012

¶6. (SBU) Keskar also updated us on Boeing's planned deliveries to India's rapidly growing civil aviation sector. In addition to the landmark deal with Air India, Boeing will sell over 20 planes to Jet Airways and 10 each to Spice Jet and Air Sahara in the coming years. While delivery to Air India on account of its sovereign guarantee was not an issue, Keskar hinted that Boeing still had "problems" in its negotiations with Jet Airways, but was continuing to work with U.S. ExIm Bank on the financing. As a whole, Boeing will deliver over 100 planes to the civil Indian market by 2012, he said. Jet and Air India will both take delivery of their first new 777 aircraft in early 2007, he said. Both carriers had opulent designs, he said, with Jet planning a

"palace in the sky." First class in Jet's new 777 will be a cavernous affair with individual suites complete with flat screen televisions and a choice of 500 films, while the business and economy classes will be far more opulent than the average in the sector. Air India will also offer cabins in first class, and plans to remake its somewhat worn image with a completely new external design.

Keskar's Views on Ambitious Vision for Nagpur

17. (SBU) Keskar was skeptical whether the market really needed an air transport hub on the scale that MADC envisages for Nagpur. The MADC master plan foresees the construction of a second runway and a terminal capable of handling 14 million passengers a year. MADC authorities tell us that they hope to create an international commercial aviation hub that will capture much of the transcontinental passenger traffic between Europe and Asia that now crosses over the Indian subcontinent. Keskar was more confident that the planned road, rail and air cargo hub would be successful. He was also optimistic that the SEZ would be a success, since numerous Indian and multinational companies have already made a commitment to locate factories or IT centers on the site. In any event Boeing had its own specific objectives with the MRO and did not want to get involved in the project planning for the larger logistics hub, he emphasized. Post will report on the plans for the logistics hub and SEZ septel.

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